



ANNUAL REPORT 1957

BOEING AIRPLANE COMPANY




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1957

ANNUAL REPORT

BOEING AIRPLANE COMPANY





HIGHLIGHTS

	1957	1956
Operating Summary		
Sales	\$1,596,508,515	\$1,006,356,748
Earnings before taxes on income	\$77,659,707	\$67,134,989
Taxes on income	\$39,500,000	\$35,000,000
Net earnings	\$38,159,707	\$32,134,989
Dividends paid	\$6,681,281	\$8,162,577
Net earnings per share	\$5.49	\$4.63
Dividends paid per share	\$0.96	\$1.18
Percentage of earnings before taxes on income to sales	4.86%	6.67%
Percentage of taxes on income to sales	2.47%	3.48%
Percentage of net earnings to sales	2.39%	3.19%
Position at Year End		
Working capital	\$96,998,188	\$97,186,870
Ratio of current assets to current liabilities	1.31 to 1	1.52 to 1
Stockholders' investment	\$178,900,948	\$146,491,446
Number of shares outstanding	6,953,583	6,666,689½
Stockholders' equity per share	\$25.73	\$21.13
Backlog	\$2,452,000,000	\$3,024,000,000
General Information		
Total wages and salaries	\$511,749,258	\$373,918,888
Average number of employees	94,998	71,106
Gross additions to plant and equipment	\$45,043,425	\$30,847,605

NOTE: All per share figures adjusted on an equivalent basis to the 6,953,583 shares outstanding at December 31, 1957.

REVIEW OF THE YEAR

TO THE STOCKHOLDERS:

The year 1957 for the Boeing Airplane Company was marked by substantial accomplishments, disappointments, and the impact of swiftly changing defense concepts.

Your company's sales and net earnings—\$1,596,508,515 and \$38,159,707, respectively—were the highest in its history. Important milestones during the year included delivery of the first KC-135 jet tanker, first flight of the No. 1 production 707 jet transport, roll-out of the first production Bomarc missile, introduction of and receipt of the first order for the new 720 transport, and major performance records by company products.

Despite the company's record sales, however, a lower margin of profit was realized on the year's business. Also expenditure limitations established by the Defense Department in the latter part of the year resulted in both schedule adjustments and reduced payments under contracts. As a result, the company had to increase its bank borrowings to more than one hundred million dollars.

Of the greatest importance to Boeing — and the entire industry — was the impact of the successful launching of two earth satellites by the Russians. The immediate effect was a critical look at America's defense program — with perhaps undue emphasis on missiles. There is no doubt that the sputniks will speed missile programs. There is danger, however, in overemphasis on missiles to the point of neglecting the primary retaliatory weapons now operational — the B-47 and B-52 bombers.

The B-52 is the one proved weapon in production which is not dependent upon foreign bases. It will continue in this role until extremely long range missiles, supersonic long range manned bombers, or other advanced weapons are available and operational. Complementing the B-52, of course, is the KC-135 tanker.

As you may be aware, the company did not win the competition for an advanced supersonic bomber, the WS



William M. Allen, President



Lobby of Transport Division office building

Boeing Airplane Company is composed of an administrative headquarters organization and five operating divisions. Headquarters, the Seattle Division, Pilotless Aircraft Division and Industrial Products Division are located in Seattle. The Transport Division is in Renton, Washington, 12 miles from Seattle. In Wichita, Kansas, the Wichita Division occupies two plants.

110A. Loss of this potential business is a challenge — which is being approached most vigorously, as commented upon under the section "Looking to the Future."

On the more favorable side was the introduction of the 720 jet transport and receipt of an initial order for 11 airplanes from United Air Lines. The 720 is a short to medium range airplane and is an important member of the family of jet transports the company is now offering airlines of the world.

Your company's success in achieving the present number of commercial jet transport orders is gratifying. While the field is becoming increasingly competitive, and airlines are having financial problems because of inadequate rates, the Boeing family of commercial jet airliners leads in total orders for any one American airplane manufacturer.

Recognition of the 707 and 720 models in foreign countries has been increasing under the impact of a strong sales, advertising and public relations campaign.

1957 was also a significant year for the Bomarc project. Highly successful test firings, designation by the Air Force of the first four Bomarc sites, and substantial production orders established Bomarc as a leading defensive weapon system.

In summary, the company has had a successful year, but it also faces many new problems and major decisions. These latter principally stem from rapid advancements in air and space conquest with resultant changes in military concepts.

Facilities

The company's current facilities expansion program will be essentially completed this year.

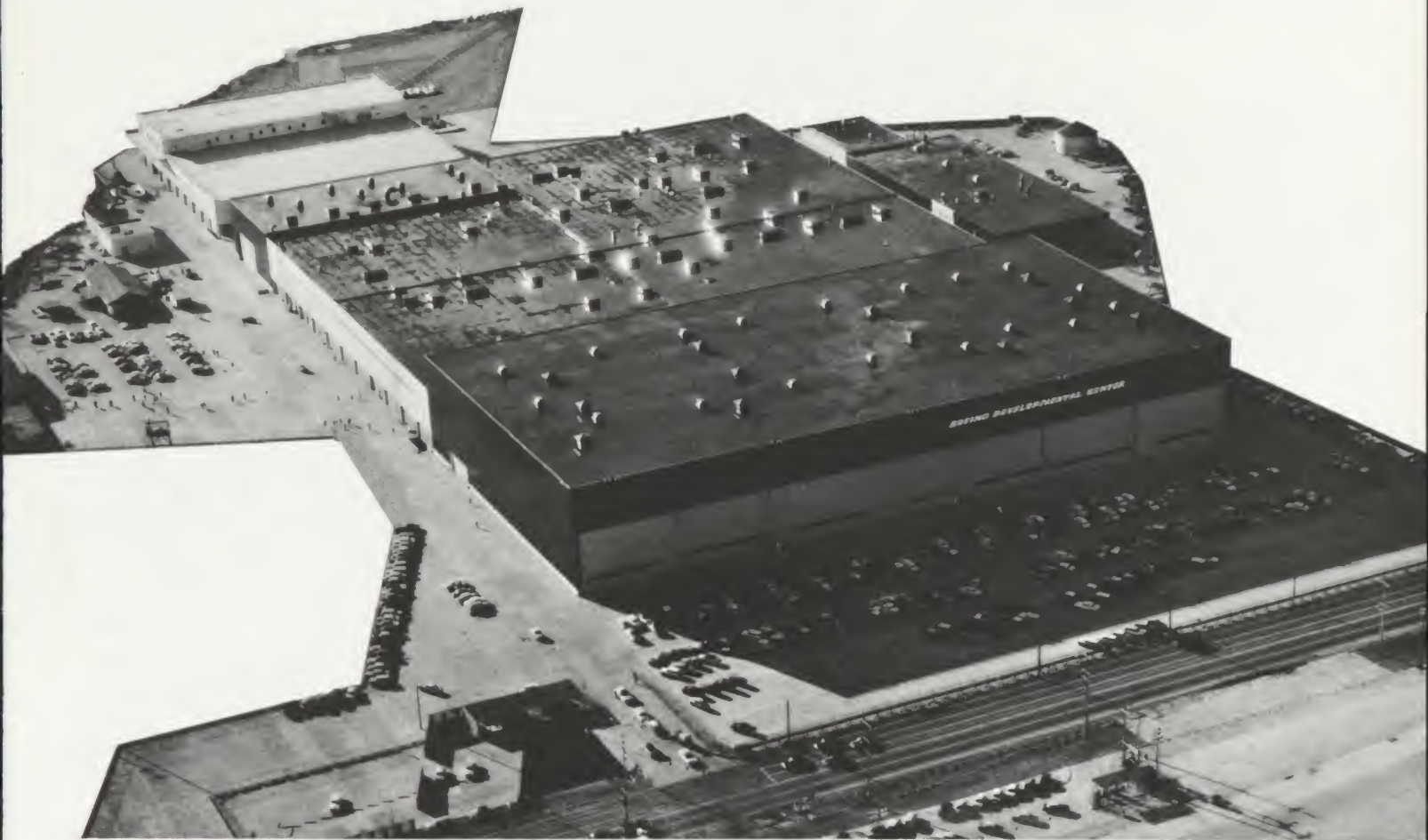
In the Transport Division, some 700,000 square feet of additional space, in the new manufacturing and office buildings, is now fully occupied.

At the Seattle Division the Research and Development Center was completed during the year. The new supersonic wind tunnel is in use and making substantial contributions to developmental programs. Work is progressing rapidly on the commercial jet delivery center on Boeing Field and will be completed by early summer.

Additional government financed facilities, essential to the B-52 program, were also completed during the year. These included an aircraft hangar and a paint hangar at the Moses Lake installation, and similar hangars at Wichita. In addition, at Wichita, an engineering research and laboratory building is nearing completion.

Firm decision on a Bomarc production facility has been made through assignment to Boeing, by the Air Force, of a Corps of Engineers facility in Seattle. This plant was originally built for automobile assembly operations and Boeing has had use of part of the facility for some time. The remainder is now being converted for Bomarc production.

The use of the Corps of Engineers facility was the best solution under existing circumstances of the Bomarc production problem. Accelerated missile production called for immediate facility scheduling, and existing company facilities were not available within the time required.



Six buildings form Developmental Center complex



SEATTLE DIVISION

The principal effort of the Seattle Division is devoted to building of the B-52, which is now in the "F" model. Production is on schedule under current Air Force programming.

The B-52 remains the nation's prime weapon against aggression. In carrying out the major part of the B-52 production program to date the Seattle Division has made a most important contribution to the nation's defense.

During 1957, the U. S. Air Force Strategic Air Command repeatedly demonstrated the strong retaliatory power of the B-52 Stratofortress. On two occasions in particular, SAC flew the Boeing bombers non-stop over great distances.

In January, three B-52s from Castle Air Force Base, California, flew non-stop around the world, a distance of 24,325 miles, refueled en route by Boeing KC-97 propeller-driven tanker

planes. Time for the flight was 45 hours, 19 minutes.

In November, six B-52s from Loring Air Force Base in Maine flew non-stop to Buenos Aires, Argentina and return. The flight, which took less than 24 hours, covered 10,600 miles. On this run, the B-52s were refueled by Boeing KC-97s and the new KC-135 jet tanker-transport.

The company announced last year that the B-52G — an advanced model with substantially increased performance and combat potential — would be built in the Wichita Division. The Seattle Division will contribute to the program, however, by building one of the major body sections. B-52F production in the Seattle Division will be completed in February, 1959, when the last delivery under present contracts will be made. Phase-out of long lead-time components has already started.

A considerable portion of Seattle Division effort is directed to support of other divisions. For example, all of the company's large presses in the Seattle area are in Seattle Division facilities and consequently all such work for the other company divisions in the locality is done by the Seattle Division.

The Flight Test Center, both the transonic and supersonic wind tunnels, and various laboratory and research facilities are also under the Seattle Division. Much of the effort in these areas is also devoted to mutual support of other divisions.

It is apparent, however, that with completion of its portion of the B-52F program a substantial production and space capacity will be available in the Seattle Division.

Utilization Studied

How to utilize this capacity to the greatest advantage is being studied most carefully. Inherent to the solution are the problems presented by the rapidly changing defense situation.

The Seattle Division put a very substantial effort into the company's entry in the WS 110A supersonic bomber competition. While the company was not successful in this venture, it feels that information gained in the multiple areas of power, aerodynamics, heating, electronics and manufacturing techniques as related to supersonic flight constitutes an invaluable background for future studies and projects.

As a corollary to the creation of new research activities, and assignment of key personnel to direct this effort as covered under the section "Looking to the Future," several changes in Seattle Division Management have been made.

George C. Martin has been promoted from chief engineer to vice president — general manager of the Seattle Division. He succeeds C. B. Gracey, who has been advanced to a new position of added responsibility.



Structural test, KC-135 wing



B-52s on Boeing Field flight line

SAC B-52 completes non-stop world flight



WICHITA DIVISION

Intensive preparations for manufacture of the improved B-52G Stratofortress, along with continued production of the current series of B-52 bombers, and phase out of existing B-47 Stratojet modification work marked operations of the Wichita Division during 1957.

With the Kansas facility already turning out the D model B-52, the Wichita Division was assigned another major defense role in June when the company announced that single source production of the advanced B-52G would be scheduled for Wichita.

Production of B-52G assemblies was under way at the close of 1957 and additional tooling-up for the G program was nearing completion. Meanwhile current models of the global bombers being produced in Wichita have been filling positions on the flight ramps formerly used for B-47s.

A major management change occurred at the division in May. J. E. Schaefer, the division's general manager and Boeing vice president, was elected company vice chairman. Named as vice president and successor to Schaefer was N. D. Showalter who formerly served as the division's chief engineer and assistant general manager.

Production at Wichita during the year was graphically illustrated by the impressive flight time logged by company test and Air Force acceptance flight crews. These crews compiled 5,158 hours flying time during the year, equivalent to 114 flights around the world.

Employment at the company's Kansas plants hit a record peak of slightly more than 34,500 in October of 1957, but by the end of the year had dropped to approximately 30,000. Present employment is about 28,500.

Because of the considerable structural change



B-52 Stratofortress in flight over Kansas

in the B-52G from previous Stratofortress models, structural test equipment has been moved from Seattle and is being installed at the Wichita Division.

Static test of the B-52G airframe will be conducted, as well as full scale operational ground test of all new systems of the advanced airplane. This is the first time the company has conducted a second series of such tests in one airplane series, a fact which demonstrates how far advanced the B-52G is over previous models.

Major tooling for the model-improved B-52 program has been accomplished to achieve the greatest economy possible in light of Boeing's experience in fabricating and assembling the earlier models.

To aid current production and in preparation for B-52G production, various government-financed construction projects were completed during 1957 and others will be completed in 1958. The three principal projects completed in 1957 included a four-place hangar for B-52s, a paint and finish hangar and an industrial waste treatment plant.

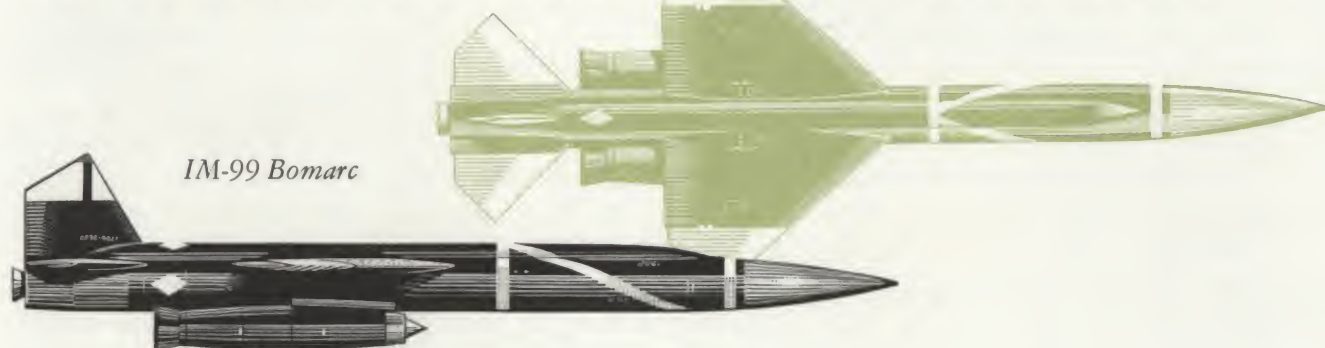
Total covered plant areas at Wichita at year end, including the new engineering laboratory building under construction, was 5,769,973 square feet. The entire facility, including company-owned Plant I and government-owned Plant II, occupies 603 acres.

Giant spar mill at Wichita plant



Wichita B-52 production line

PILOTLESS AIRCRAFT DIVISION



Wing tip camera on QB-17 target drone airplane catches Bomarc missile at moment of intercept. Flash at top of picture is "spotting charge" fired by missile to show point where warhead would have exploded had missile been armed.

Repeated successful test firings, placing of a 139 million dollar production order by the Air Force, assignment of funds for construction of the first four tactical Bomarc bases and roll-out of the first production model highlighted the Bomarc program during 1957.

In test firings at Patrick Air Force Base Bomarc missiles repeatedly sought out and scored destruction intercepts on drone aircraft simulating enemy bombers approaching American shores. Intercepts were made at distances exceeding 100 miles.

As a result of these successful firings, and because of the focusing of public attention on missiles in general, the Air Force removed some of the security restrictions on Bomarc. For the first time the company was permitted to release pictures of actual firing, and to define more clearly Bomarc's mission as well as its growth potentials.

Order Increased

In addition to the production contract referred to above, the Air Force, shortly after the first of this year, ordered additional Bomarc missiles.

Production plans call for the manufacture of a sufficient number of Bomarc missiles and as-

sociated equipment to arm a series of bases strategically located to protect the greater portion of the continental United States.

The Defense Department revealed in November that it had released 46 million dollars to begin construction of the first four tactical Bomarc bases. These bases are located on the eastern seaboard. As part of its complete Bomarc weapon system responsibility, Boeing will be responsible for installation of Bomarc equipment at these bases. Another base, for training purposes, is under construction near Eglin AFB in Florida, and the first training squadron has been activated.

Advancements Planned

Looking ahead, the division is in a development program which will extend the missile's range beyond 400 miles and improve other performance capabilities by a series of advances including a change from liquid to a solid fuel for the boost rocket. Looking farther into the future, the division has undertaken studies aimed at further development of defensive missile systems.

Potential use of Bomarc missiles in foreign countries is regarded as favorable and is being explored. The Bomarc is particularly suited to the defense needs of any country exposed to medium range and long range bombers as well as air-breathing missile attack.

Employment in the Pilotless Aircraft Division now totals 6,700, an increase of 46% during the year. This figure does not include the manpower of other divisions, particularly the Seattle Division, engaged in direct support of the Bomarc program. Operations of the Pilotless Aircraft Division have become a substantial part of the company's overall efforts.

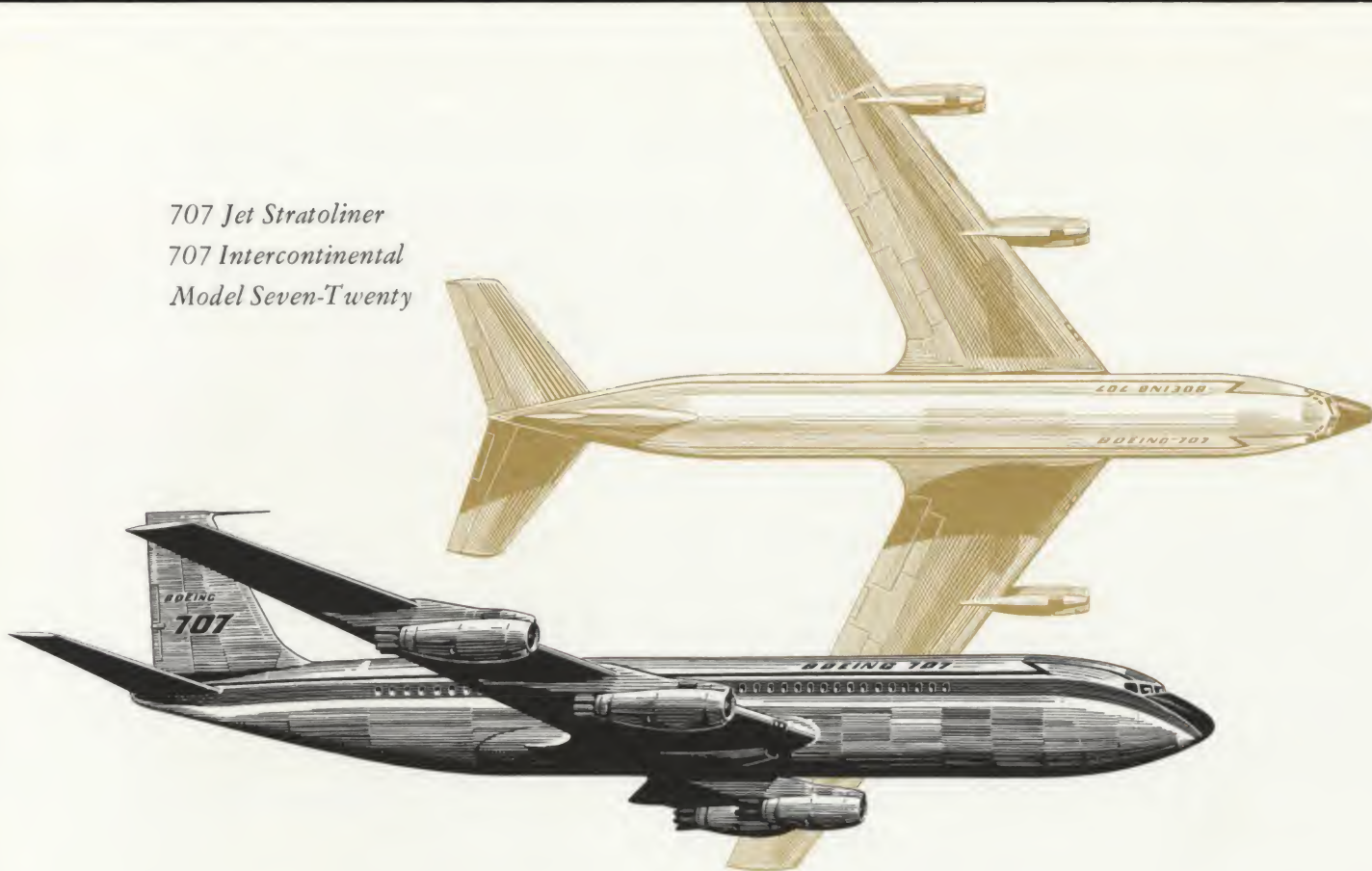
Boost rocket starts IM-99 Bomarc missile on test flight from pad at missile test center in Florida.



Bomarc production line



707 Jet Stratoliner
707 Intercontinental
Model Seven-Twenty



TRANSPORT DIVISION

With its new facilities in use and an increasing experience level among its personnel, the Transport Division is "on schedule" in its production of both KC-135 military tanker-transport and 707 commercial transports.

KC-135 production is steadily increasing and substantial numbers are now in use with B-52 wings of the Air Force, where they are demonstrating their capabilities in extending the range and operational performance of the B-52s.

Two significant records were set by a KC-135 on a round-trip flight to Buenos Aires. The first leg, by a circuitous route, covered 6,350 miles in 13 hours, 2 minutes. It was the longest distance ever flown by a non-refueled jet aircraft. On the return the airplane flew 5,204 miles from the

Argentine capital to Washington, D. C. in 11 hours, 5 minutes.

On a routine delivery flight, a KC-135 crossed the United States from Larson Air Force Base, in the State of Washington, to Westover AFB, Massachusetts, in three hours, 37 minutes; an average speed of 649 miles per hour. Aerial refueling at high altitude and high speed, by KC-135s, also made possible new jet fighter records for transcontinental flights from the west to the east coast and return.

Such demonstrated capability in speed and range of the Boeing jet tanker-transport, coupled with its high altitude performance, have given added emphasis to a wide variety of potential uses for the plane. One KC-135 already has been out-

fitted as a flying command post, with communications equipment providing contact with Air Force outposts all over the world.

Modern logistic requirements of the armed forces call for immediate availability of high-speed transportation of men and materiel. This need makes it reasonable to predict long service life and increased demand for the multi-purpose Boeing jet tanker-transport.

High altitude electronic reconnaissance is another potential use for the airplane. Such radar-equipped tanker-transport would augment and extend present ground-based early warning networks. The long-range jets also offer faster, farther-ranging weather reconnaissance than is presently possible. The fact that these aircraft are coming off the production line today in substantial numbers makes them an answer in being to many of today's military problems.

Production rate of KC-135s is increasing as programmed toward a projected peak of 15 a month to be achieved in July, 1958.

The KC-135 program is an outgrowth of the company's investment of some \$16,000,000 in building the jet transport-tanker prototype. This airplane made its first flight on July 15, 1954. Demonstrations of the prototype's compatibility with the B-52 and other military jet aircraft, convinced the Air Force of the desirability of a high-speed, high-altitude refueling tanker-transport, and led to the substantial production program in



Transport Division production line



KC-135



Second production 707 moves to flight line



KC-135 lands at Washington, D.C., after record flight

which the Transport Division is now engaged.

Abilities of the division to meet specific problems of the airlines were demonstrated in the evolution of the Model 720 short to medium range jet transport. This model takes the place of the earlier announced Model 717. Its acceptance by the airlines was apparent when United Air

Lines promptly signed for 11 of the planes. United management also stated it would order 40 more 720s over the next few years. Your Company confidently anticipates a high sales potential for the 720. Intensive sales efforts on both the 707 and the 720 are being pursued in the United States and foreign countries.

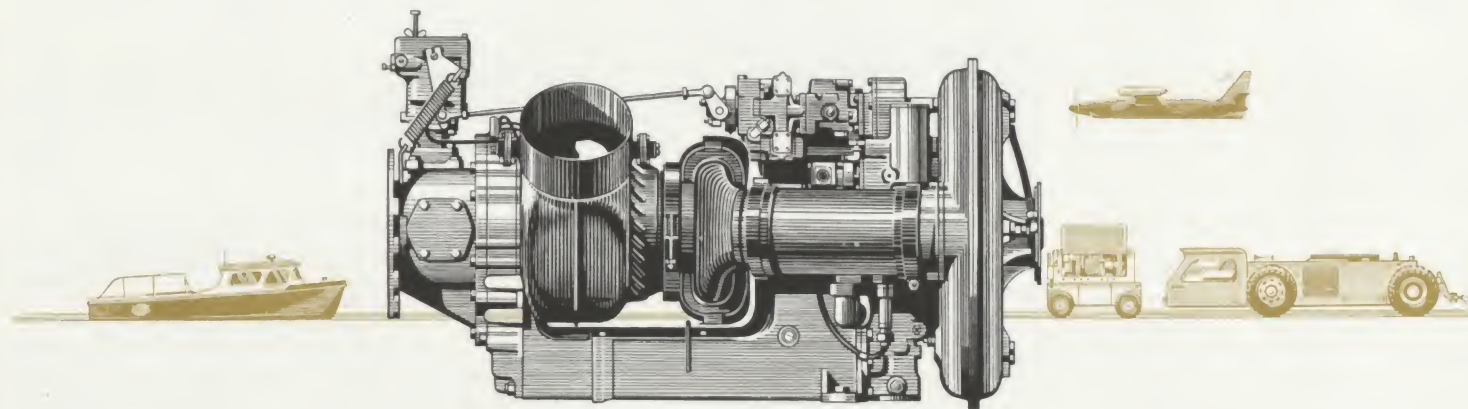
Total orders for all models of Boeing jet transports stood at 161 at year-end for a commercial backlog of \$792,000,000 comprising 32.3% of the company's total backlog. Fourteen American and foreign airlines had chosen Boeing jet transports before the end of the year.

Newly represented on the list in addition to United Air Lines are Varig, Brazilian airline and Cubana, Cuban airline. During the year, Air France also added seven 707 Intercontinentals to its earlier commitment for 10, and other confirmed but still unannounced orders brought the year's increase to 27.

First Flight

Roll-out and first flight of the No. 1 production 707 ahead of schedule was a highlight of the year. This airplane is equipped with sound suppressors and thrust reversers, tests of which are proving satisfactory. This first aircraft, together with the next two off the production line, will enter extensive CAA test programs to speed certification of the aircraft. Production of succeeding aircraft is proceeding at increased pace and it appears that Boeing-built jet transports will be in service substantially in advance of competing types being built by other American companies.

Another highlight of the year was the setting of a new transcontinental passenger transport record when the prototype 707, with leading aviation writers aboard, flew from Seattle to Baltimore in three hours, 48 minutes. This, and subsequent press flights, received top coverage in newspapers, radio, TV and newsreels throughout the world.



INDUSTRIAL PRODUCTS DIVISION

The manufacturing work load of the division was distributed about equally in 1957 between the building of gas turbines and support work for the Transport Division. This latter consisted of building gear boxes for the KC-135 jet tanker-transport and the 707 commercial aircraft.

Additional deliveries of the 240 horsepower 502-10C and its compressor counterpart, the 502-11B, were made to the Navy, Air Force and commercial customers. Approximately 170 of these engines have been sold and are now in service. Initial deliveries of the 300 horsepower 502-10F were made to the Radioplane Corporation for use in radio-controlled target aircraft.

New potentials for Boeing gas turbines continue to develop. Among these are a turbo-starter mounted on an airport service truck, and a combination aircraft-moving tug and starter unit.

Development work is focused primarily on two versions of the 520 turbine. A marine version, rated at 300 horsepower for continuous operation, is under development for the Bureau of Ships. An aircraft version, producing 400 horsepower, is under development for the Bureau of Aeronautics for use in trainer helicopters.

The Division continued to operate on a profitable basis during 1957. Prospects for additional sales of gas turbines in 1958 are good.



Boeing gas turbine engines power oil company boat



Mobile mounted gas turbine jet starter unit

PROGRESS THROUGH RESEARCH

The Boeing Airplane Company is dedicated to the philosophy that progress is the product of applied knowledge. Throughout the company, laboratory scientists are continuously engaged in research, experimentation and test in implementation of that philosophy.

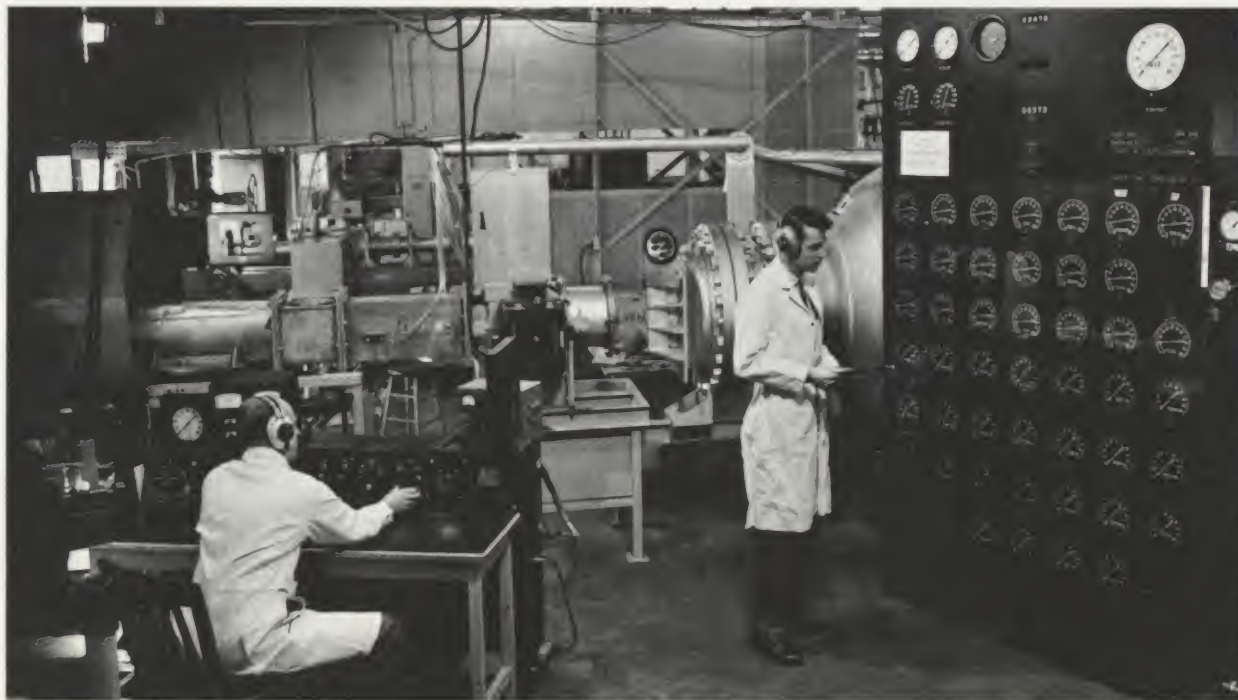
In four wind tunnels ranging from subsonic to hypersonic; in physical, metallurgical, chemical, nuclear, electronic, ceramic and hydraulic laboratories; in static and hydrostatic test cells and areas their work goes on. This is applied research. It improves the products of today and designs and proves the products of tomorrow.

New funds of knowledge are demanded by today's scientific surge. To tap them, Boeing is adding to its applied research the fundamental tool: basic research — the pushing back of scientific frontiers, the search for knowledge that is new and vital to man and to his freedom.



*More than 4000° thermal shock tests
new experimental material*

Supersonic (front) and hypersonic (rear) wind tunnels are laboratory tools of design



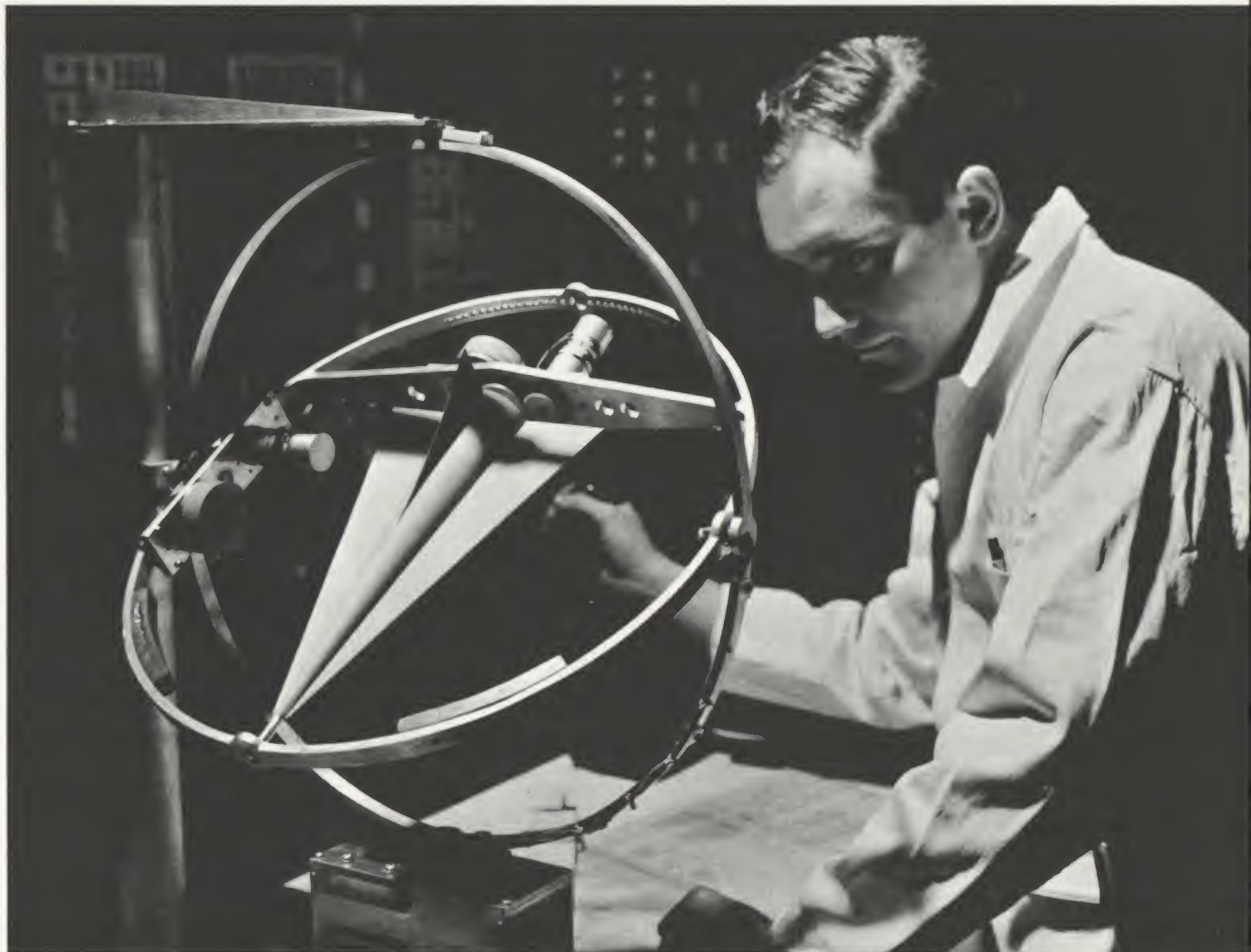


Cobalt 60 provides ionization effect



Supersonic tunnel generates 3000 mph wind

Characteristics of a hypothetical model are studied in a dynamic simulator



BOEING PEOPLE

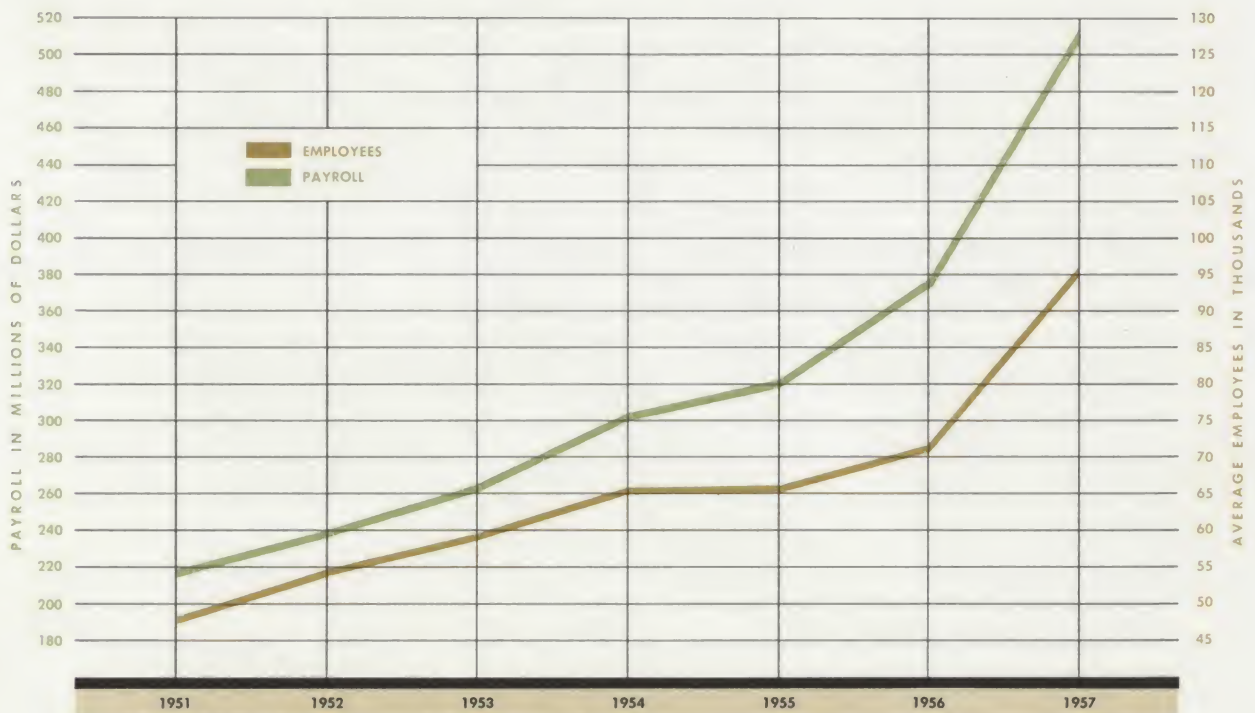
Employment reached an all-time peak of just over 100,000 in the early summer of 1957. As of the year end this figure had declined to approximately 90,000. Much of the reduction resulted from nonreplacement of voluntary terminations, so that layoffs accounted for less than half of the total. It is anticipated that overall employment will decline approximately another 15,000 by the end of 1958. The yearly payroll of \$511,749,258 represented 34% of total costs.

With all airplane production programs on

an established basis and the learning factor steadily improving, efficiency is increasing. A large number of employees continues to contribute to this objective by enthusiastic participation in both on-the-job and voluntary off-the-job training programs.

During the year, increased emphasis was placed on cost reduction and efficiency throughout the company. Boeing employees were informed of the program and its objectives. The economies to be achieved called for a concerted

Annual Payroll and Average Employees
1951 - 1957



effort to tighten the belt rather than for administrative action alone.

The cooperation of Boeing people at all levels of responsibility proved again that one of the great assets of any company is the interest its employees take in the company welfare. The aggregate of many cost-reducing suggestions from shops and offices contributed substantially to the savings achieved.

Boeing employees also set a company record in the number of suggestions entered through the suggestion system. Awards totaled \$404,155, representing estimated direct cost savings of more than \$4,000,000.

At year-end, 1064 retired employees were receiving benefits under the Boeing retirement program. The Boeing Airplane Company Employees Retirement Plan was adopted in 1956 as effective from 1955. During 1956, a total of 86 persons received early retirement under the plan's provisions.

That the company offers long-time careers was again emphasized when 14 more employees reached 30-year employment status during the year. Sixty-four employees have now been with the company for 30 years or more. The number of 20-year employees is 781, and those with 10 years service total 10,599.

Indicative of employee acceptance of community responsibility is their contribution of \$1,376,942 to the Seattle area and Wichita Good Neighbor (Community Chest) programs. Approximately 90 per cent of employees were participating in these programs at year-end.

An augmented program of employee communication designed to give employees a better understanding of the company, its policies, programs and goals was undertaken during the year. It is a long-range program designed to provide our employees with information to assist them in making independent appraisal of problems having to do with their and the company's welfare.



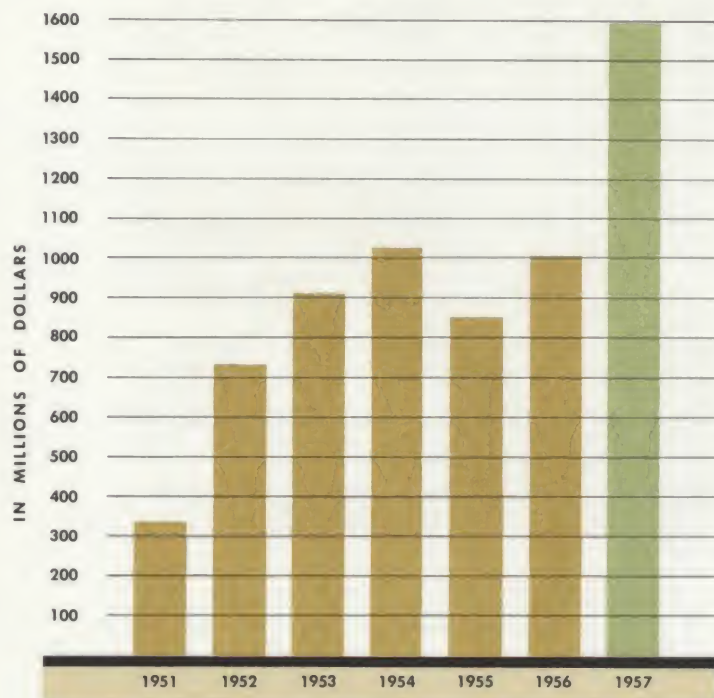
Back in 1917, a young man left his engineering course at the University of Washington and joined the infant Boeing Airplane Company as a stress analyst. He was one of three students recommended by the Dean of the school when William E. Boeing asked for the "brightest students in the class."

In June, 1957 the student of 1917 marked 40 years of continuous association with the company. His name — Claire L. Egtvedt, company chairman.

FINANCIAL REVIEW

Sales

1951 - 1957

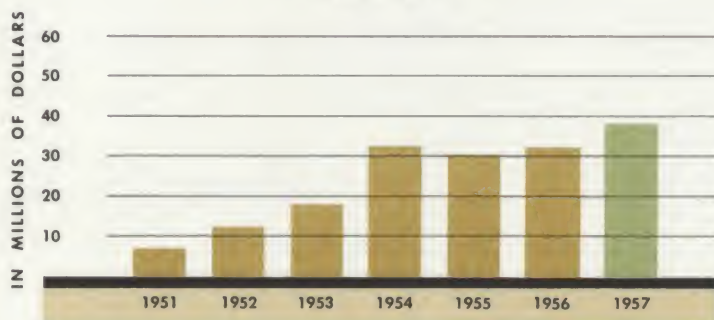


Sales for the year 1957 totaled \$1,596,508,515. This figure compares with sales of \$1,006,356,748 for the year 1956. The increase in sales resulted from the commencement of substantial deliveries of KC-135s at the Transport Division and of B-52s at the Wichita Division, the phase-in of the improved B-52G airplane program on a cost plus a fixed fee basis, and an acceleration of work on the Bomarc program. Spare parts continued to contribute substantially to sales, approximating \$225,000,000 in 1957.

Net earnings, after taxes on income, were \$38,159,707 and amounted to 2.39 cents per dollar of sales. This compares with \$32,134,989 of earnings and 3.19 cents per dollar of sales in 1956. Although 1957 net earnings reached an all time high for the company, the increase in earnings was not proportionate to the increase in sales. This was due to reduced gross profit margins on incentive type fixed price contracts; increased interest expense; increased amortization charges relating to newly acquired plants and research facilities, and the write-off of approximately \$17,000,000 of research, developmental, and general and administrative expenses applicable to commercial programs. Earnings were \$5.49 per share as compared to \$4.63 per share (adjusted on an equivalent basis to shares outstanding December 31, 1957) for the previous year.

Net Earnings

1951 - 1957



A major portion of the year's sales was under fixed price contracts containing incentive provisions. These contracts provide that cost underruns or overruns from previously established targets

are shared by the Company and the Government. Although cost experience on the contracts under which sales were reported during 1957 did not in most instances compare favorably with contractual targets, and profit margins were thereby decreased, the Company believes that such form of contracting is desirable in that it provides important incentives for the best cost performance possible.

The Year Ahead

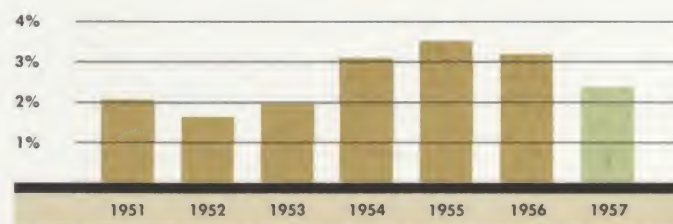
On the basis of the status of existing programs and present schedules, sales for the coming year are expected to be comparable in volume to those reported for 1957. During 1958, deliveries under B-52 fixed price contracts will be at maximum scheduled rates, deliveries under the KC-135 program will reach a peak rate of 15 per month and activity under cost plus a fixed fee contracts for Bomarc and the first model-improved B-52G airplanes will be increased. In addition it is expected that a number of 707 commercial jet transports will be delivered in 1958.

It is anticipated that profit margins will be at a somewhat higher level than those reported for 1957 if the more favorable cost trends now being experienced on fixed price incentive type contracts continue throughout the year. However, commercial program expense write-offs, interest expense, and increased amortization on facilities will continue to have a substantial impact on over-all profit margins.

A substantial portion of the engineering, developmental, tooling and other initial production costs have been incurred on the 707 jet transport program. Since these start-up costs have been higher than estimated, it is believed that the breakeven point may be higher than reported in the 1956 Annual Report to Stockholders wherein it was estimated that the breakeven point had been attained or exceeded with the 134 airplanes then on firm order or letter commitment.

Unfilled orders at year end totaled \$2,452,000,000. Included in the present backlog, but only to the extent allocated, are the starting or implementing funds for which definitive contracts have not been signed with the Government. When contracts currently under negotiation are definitized, orders will be increased by approximately \$700,000,000. As of December 31, fixed price contracts containing incentive provisions

Per Cent of Net Earnings to Sales
1951 - 1957



accounted for approximately 80% of Government orders.

Orders for commercial aircraft amounting to \$154,000,000 were received during the year.

Plant and Equipment

In connection with the substantial facilities expansion program of the company \$45,043,425 was expended during 1957. This increased the Company's total investment in property, plant and equipment to \$128,813,162 at the year end. Included in this amount were facilities with an original cost of \$17,484,695 which, although still in use, had been completely depreciated or amortized at December 31.

During the period 1950-1957, the company obtained certificates of necessity on facilities costing \$70,845,763. The certified portion of these facilities which is being amortized over 60-month periods amounts to \$45,706,749.

Depreciation and amortization in the amount of \$12,422,205 was recorded during the year. This amount included \$3,449,737 of amortization in excess of normal depreciation. A portion of the amortization in excess of normal depreciation applicable to certain capital asset items is included as a cost under military contracts.

Renegotiation

The Renegotiation Board has advised the Company that excessive profits in the amount of \$10,000,000 were realized during the year 1954. After credit for federal and state income taxes already paid, the net refund will amount to \$4,637,956. Your management believes the Board's determination to be unjustified and not consistent with the intent of Congress at the time of enactment of the Renegotiation Act of 1951 and its subsequent extensions. The company will appeal to the Tax Court of the United States for a re-determination of the Board's finding.

A formal statement as to the Board's basis for its determination has not yet been received. The Board has stated, however, that the perform-

ance of the company during the year 1954, as measured by the criteria established by the Renegotiation Act, was equal to or better than that of previous years. The company has further been advised that its contribution to the nation's defense was outstanding and that all phases of its operations were conducted in an efficient manner. As in past years, the Board contends that profits were more than could be considered reasonable by reason of the volume of sales attained, the extensive use of Government-owned facilities, extensive subcontracting and the rate of pre-tax return on an individual year basis (as compared to companies in other industries) on beginning book net worth.

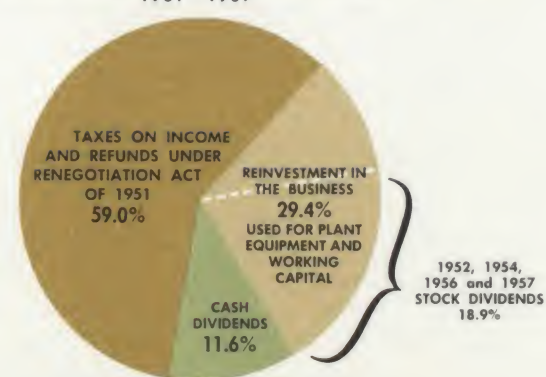
It is the company's position that the utilization of Government-owned facilities, the extent and nature of the subcontracting program, net worth, and other factors affecting volume were fully considered by Government procurement representatives in the negotiation of basic contractual profit frameworks. Earnings were well within the negotiated profit framework and were significantly below the profit margins realized by the manufacturing industry generally.

On the basis of the Board's unilateral order for the year 1954, the reserve established on our books for that year was understated by \$2,195,749. The previous liability has accordingly been increased with an offsetting charge to retained earnings (net earnings and balance sheet data have been adjusted in the statistical and financial summary on pages 30 and 31 of this report.)

The Renegotiation Board's stated reasons for the determinations of alleged excessive profits for the years 1952, 1953 and 1954 make it extremely difficult to project the refunds, if any, that may be required for the years 1955, 1956 and 1957. If the Board continues to administer the Act by imposing arbitrary limitations which result in the confiscation of earnings which are within contractually established profit frameworks and which

Disposition of Earnings*

1951 - 1957



*TOTALING \$416,605,000 BEFORE TAXES AND ACTUAL AND PROJECTED REFUNDS UNDER THE RENEGOTIATION ACT OF 1951

include incentives for efficient performance, refunds may be required.

It is believed, however, that the Board's administration of the Act is in conflict with basic Department of Defense procurement policies and is contrary to Congressional intent and may be reviewed by Congress during the current session. Since the Board's determinations are completely inconsistent with the stated objectives of the Government to preserve and foster incentives in the performance of contracts, such review could result in a clarification of objectives and a realistic administrative policy relative to the attainment thereof. No provision for refunds has therefore been established for the years 1955, 1956 and 1957.

While a date for the hearing before the Tax Court of the United States with respect to the 1952 renegotiation case has not been established, it is currently expected that the trial date will be set for late spring or early summer of this year. Substantial efforts are being directed to the preparation of the case which involves \$2,946,702.

The company's petition for a redetermination of the Board's finding in 1953 involving \$2,057,793 has been filed with the Tax Court.

Federal Income Taxes

Federal income tax returns of the company have been examined for all years through 1953. Agreements have been reached for all years through 1953 except for certain claims for refund which are pending. Such claims have not been recorded in the accounts.

Tax returns for the years 1954 and 1955 are currently under examination by the Internal Revenue Service. The income tax liability stated on the Balance Sheet is considered adequate for all open years.

Dividends

Quarterly cash dividends of 25 cents per share amounting to a total of \$6,681,281, were

paid during the year. In addition, a 4% stock dividend was issued and distributed to stockholders of record on November 19, 1957.

Dividend payments were in accordance with the policy adopted in 1956, the purpose of which is to permit an accumulation of funds during the period when the company's requirements for capital are substantial.

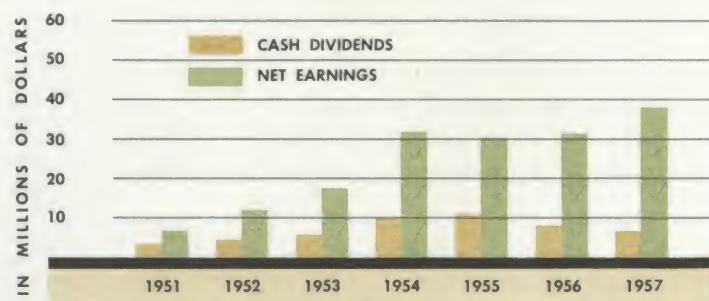
In connection with the 4% stock dividend, \$8,959,424 was transferred from the Retained Earnings account to the Capital Stock account.

Working Capital

At year end, working capital totaled \$96,998,188, essentially unchanged from the previous year. The substantial facilities investment is to a large degree responsible for working capital remaining at a comparable level.

During the year the company's open line of bank credit was increased from \$75,000,000 to \$150,000,000. Borrowings under the credit line were required throughout the year, and at December 31, notes payable to banks amounted to \$110,000,000.

**Cash Dividends
and Net Earnings**
1951 - 1957



The substantial borrowing position at the year end is attributable primarily to the current status of contractual payments under Government contracts. Estimated receivables under cost-plus-a-fixed-fee and fixed price contracts increased over previous year end balances by approximately \$104,815,000. The increase in CPFF receivables is due principally to the higher level of activity on the Bomarc program and the initial contract for the B-52G model-improved airplane. In addition, the B-52G contract was at the year end on a letter contract basis providing for only 70% reimbursement of costs incurred. The increased level of fixed price receivables is primarily due to the delays experienced in the obtaining of approval of contractual documents.

Future Financial Requirements

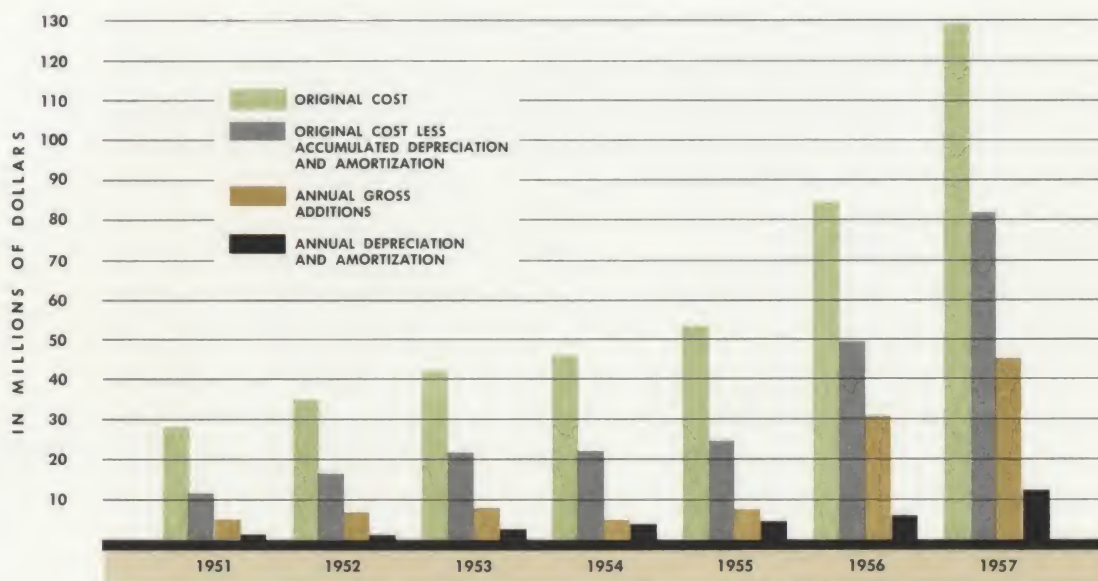
The financial requirements of the company over the next several years will continue to be substantial. In addition to the funds required for

the accelerating commercial program, the change in the Department of Defense policy relative to contractual payments will increase the company's working capital requirements. During 1957 the progress payment rate on fixed price contracts was decreased from 75% to 70%, and current reimbursement of costs under major CPFF contracts was reduced from 100% to 80%.

If the directives that have been issued to date represent a permanent change in policy, a substantial and long term requirement for working capital will result. If such capital requirement is imposed, it is industry's contention that the Department of Defense must grant an increase in basic profit rates commensurate with the required increase in permanent capital.

At the present time, no plans have been formulated for long term debt or equity financing. However, company financial requirements are under constant review and such action will be taken if and when considered advisable.

Company Investment in Property, Plant and Equipment
1951 - 1957



LOOKING TO THE FUTURE

Making predictions about the long-range future of a company such as Boeing is a hazardous occupation. World events during the past six months in themselves have revealed technological developments that have had a profound effect upon our security concepts. The launching of the Russian satellites, with the resultant near-panic in the minds of the peoples of the Free World, has brought about a too-ready willingness to rely on new and untried weapons and an unjustified willingness to abandon, or at least de-emphasize, proven weapons, before superior articles upon which we can rely are available to take their place. Nevertheless, a need for greater effort in the development of new weapon systems is clearly evident and, as will be later pointed out, your company is placing increased emphasis on this effort.

The future divides itself into two segments: the immediate, covering the next three or four years, and the longer range, extending thereafter.

Your company feels that it is in a good position for the immediate future. It has a sound reputation, excellent facilities, highly capable personnel, and a substantial backlog of both commercial and military business. The prospect of profitable years immediately ahead gives us opportunity to continue preparation for the more distant future. Toward improvement in this area, two important steps have been taken:

First, the new-product research function has been enlarged and a new unit—the Boeing Scientific Research Laboratories—has been established. The latter, staffed by a group of key scientists, will carry on basic research. The two units will report, through a director, to Edward C. Wells, Vice President—Engineering.

Second, Wellwood E. Beall, Senior Vice President, and Wells have been assigned the

responsibility for leading this over-all program of advanced developmental work. C. B. Gracey, formerly Vice President and General Manager of the Seattle Division, has become Vice President—Operations and has assumed the responsibility of coordinating, at the headquarters level, the operational activities of the divisions of the company.

The company has a substantial experience on which to build for the future. It has always built products having growth potential. Growth may be a matter of increasing speed, decreasing weight, increasing range, changing armament, or even changing the basic weapon carried. An excellent example of this growth is the B-52 in which substantial improvements in all the above-mentioned categories are now taking place.

The company is also working in a number of areas which it believes have potential for new business. Included are: manned and unmanned long-range glide rockets and other advanced strategic weapons; airborne and ballistic defensive missiles; and advanced (including supersonic) military and commercial transport equipment.

As it looks to the future, the company will develop and exploit to the fullest its present products, it will explore future potentials in those fields of its past experience, and it is preparing to enter the new areas which appear to afford substantial opportunities.

For the Board of Directors



William E. Beall
President

March 3, 1958.

BALANCE SHEET

BOEING AIRPLANE COMPANY

DECEMBER 31, 1957

ASSETS

CURRENT ASSETS:

Cash		\$ 45,147,394
Accounts receivable —		
United States	\$ 17,370,107	
Others	<u>3,961,833</u>	21,331,940
Estimated balances receivable from the United States —		
For expenditures under cost-plus-a-fixed-fee and facilities con-		
tracts and applicable fees	\$113,056,099	
For deliveries under contracts for which unit prices have not		
been established or revised	<u>51,258,608</u>	164,314,707
Accumulated charges on fixed-price type contracts less estimated		
cost (average total contract basis) of deliveries	\$654,218,996	
Less advances and progress payments received and accrued	<u>492,629,759</u>	161,589,237
Inventories of parts and materials at the lower of average cost or		
market		14,482,918
Prepaid expenses		<u>2,259,755</u>
TOTAL CURRENT ASSETS		<u>\$409,125,951</u>

PROPERTY, PLANT, AND EQUIPMENT, at cost:

Land (\$3,689,331) and buildings	\$ 82,662,987	
Machinery, tools, and equipment	<u>46,150,175</u>	
	\$128,813,162	
Less allowance for accumulated depreciation and amortization ..	<u>46,910,402</u>	81,902,760
		<u>\$491,028,711</u>

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES:

Notes payable to banks.....	\$110,000,000	
Accounts payable	110,292,401	
Salaries and wages.....	40,797,421	
Payroll, property, and excise taxes.....	5,562,012	
Incentive compensation for officers and employees.....	3,995,000	
Payable to Trustee under retirement plan.....	3,702,162	
Allowance for 1954 renegotiation, net of taxes.....	4,637,956	
Federal and state taxes on income.....	33,140,811	
TOTAL CURRENT LIABILITIES.....	<u>\$312,127,763</u>	

STOCKHOLDERS' INVESTMENT:

Capital stock, par value \$5 a share —		
Authorized — 10,000,000 shares		
Issued and outstanding — 6,953,583 shares		
at stated value.....	\$94,834,035	
Retained earnings (after transfer to the capital stock account of \$78,640,468)	<u>84,066,913</u>	178,900,948

\$491,028,711

See notes to financial statements.

STATEMENT OF NET EARNINGS

BOEING AIRPLANE COMPANY

Year Ended December 31, 1957

Sales		\$1,596,508,515
Other income		762,052
		<u>\$1,597,270,567</u>
Cost of sales (excluding applicable portion of certain items set forth below in the amounts incurred during the year)	\$1,466,056,710	
Research and developmental expenses	19,646,115	
General and administrative expenses	13,016,688	
Depreciation and amortization	12,422,205	
Incentive compensation for officers and employees	3,995,000	
Other expenses	2,468,743	
Interest expense	2,005,399	
Federal and state taxes on income	39,500,000	1,559,110,860
NET EARNINGS FOR THE YEAR		<u>\$ 38,159,707</u>
Net earnings per share		<u>\$5.49</u>

See notes to financial statements.

RETAINED EARNINGS

BOEING AIRPLANE COMPANY

Year Ended December 31, 1957

Balance at January 1, 1957 (after transfer to the capital stock account of \$69,681,044)		\$63,743,660
Net earnings for the year	\$38,159,707	
Revision of adjustment made in 1956 to allowance for renegotiation	2,195,749	35,963,958
		<u>\$99,707,618</u>
Cash dividends, \$1.00 a share	\$ 6,681,281	
Stock dividend (4%) — Amount transferred to the capital stock account by the Board of Directors, equal to the approximate market value on declaration date	8,959,424	15,640,705
Balance at December 31, 1957		<u>\$84,066,913</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

RENEGOTIATION: Unilateral determinations of excessive profits have been made or indicated by The Renegotiation Board for the years 1952, 1953 and 1954. The required refunds have been paid or provided for in the accounts. Appeals for the years 1952 and 1953 have been taken to the Tax Court of the United States and it is expected that the Board's decision for the year 1954 will likewise be appealed.

The company does not know and cannot predict what the Board's actions will be for the years 1955, 1956 and 1957. In view of this uncertainty and the belief of the company that no excessive profits were realized, no provision has been made for renegotiation refunds for any of these years.

RETIREMENT PLAN: Under the company's non-contributory retirement plan, a charge of \$11,701,992 has been made in the accounts for the year 1957, of which \$10,066,505 repre-

sents current service and \$1,635,487 is applicable to past service. At December 31, 1957, the past service liability not recognized in the accounts was estimated at \$12,800,000.

CAPITAL STOCK ACCOUNT: Changes in the capital stock account during the year 1957 were as follows:

	<u>SHARES</u>	<u>AMOUNT</u>
Balance at January 1, 1957 . .	6,666,689 1/2	\$84,943,535
Shares sold to officers and employees at market value under the Incentive Compensation Plan	19,448	931,076
Shares issued as 4% stock dividend and amount transferred to the capital stock account by the Board of Directors	267,445 1/2	8,959,424
Balance at December 31, 1957 .	<u>6,953,583</u>	<u>\$94,834,035</u>

ACCOUNTANTS' REPORT

TOUCHE, NIVEN, BAILEY & SMART

CERTIFIED PUBLIC ACCOUNTANTS

1411 FOURTH AVENUE
SEATTLE 1, WASH.

March 3, 1958

Board of Directors
Boeing Airplane Company
Seattle, Washington

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1957 and the related statements of net earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, except for the effect of any renegotiation refunds that may be required for years subsequent to 1954, the accompanying balance sheet and statements of net earnings and retained earnings present fairly the financial position of Boeing Airplane Company at December 31, 1957 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on December 16, 1957, in setting aside the sum of \$3,995,000 for the year 1957 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

Touche, Niven, Bailey & Smart

Certified Public Accountants

FIVE YEAR CONDENSED COMPARATIVE FINANCIAL

Financial Position

As of December 31,

1957

Current assets	\$ 409,125,951
Current liabilities	312,127,763
Working capital	\$ 96,998,188
Property, plant, and equipment, net.	81,902,760
Net assets	<u>\$ 178,900,948</u>
Represented by stockholders' investment in:	
Capital stock	\$ 94,834,035
Earnings retained for use in the business.	84,066,913
	<u>\$ 178,900,948</u>
Stockholders' equity per share	\$ 25.73
Ratio of current assets to current liabilities.	1.31 to 1

Sales, Earnings and Dividends

Sales	\$1,596,508,515
Earnings before taxes on income	77,659,707
Taxes on income	39,500,000
Net earnings	38,159,707
Cash dividends paid	6,681,281
Net earnings per share	5.49
Cash dividends paid per share	0.96
Income taxes per share	5.68
% earnings before taxes on income to sales	4.86%
% taxes on incomes to sales	2.47%
% net earnings to sales	2.39%

General Information

Backlog	\$2,452,000,000
Number of authorized shares of common stock	10,000,000
Number of shares outstanding	6,953,583
Average number of employees	94,998
Total wages and salaries	\$ 511,749,258
Gross additions to plant and equipment	45,043,425
Depreciation and amortization	12,422,205
Amortization in excess of normal depreciation	3,449,737
Square feet of floor area:	
Government owned	11,228,294
Boeing owned	5,571,913
Leased	1,843,422

NOTE: Financial data restated to give effect to the 1952, 1953 and 1954 renegotiation refunds. All per share figures adjusted on an equivalent basis to the 6,953,583 shares outstanding at December 31, 1957.

DATA

1956	1955	1954	1953
\$ 282,627,505	\$ 231,378,352	\$ 230,475,654	\$ 210,137,249
185,440,635	134,305,881	151,644,643	153,300,983
\$ 97,186,870	\$ 97,072,471	\$ 78,831,011	\$ 56,836,266
49,304,576	24,707,138	22,167,795	21,553,595
\$ 146,491,446	\$ 121,779,609	\$ 100,998,806	\$ 78,389,861
\$ 84,943,535	\$ 60,968,732	\$ 60,000,000	\$ 35,203,414
61,547,911	60,810,877	40,998,806	43,186,447
\$ 146,491,446	\$ 121,779,609	\$ 100,998,806	\$ 78,389,861
\$ 21.13	\$ 17.62	\$ 14.66	\$ 11.38
1.52 to 1	1.72 to 1	1.52 to 1	1.37 to 1
\$1,006,356,748	\$ 853,827,722	\$1,023,513,857	\$ 912,430,866
67,134,989	62,641,411	67,063,615	53,003,098
35,000,000	32,250,000	34,725,548	34,742,713
32,134,989	30,391,411	32,338,067	18,260,385
8,162,577	10,579,340	9,729,122	5,676,768
4.63	4.40	4.70	2.65
1.18	1.53	1.41	0.82
5.05	4.67	5.04	5.04
6.67%	7.34%	6.55%	5.81%
3.48%	3.78%	3.39%	3.81%
3.19%	3.56%	3.16%	2.00%
\$3,024,000,000	\$2,624,000,000	\$2,131,000,000	\$2,357,000,000
10,000,000	5,000,000	5,000,000	2,500,000
6,666,689½	3,258,125¾	3,246,436¾	1,623,681
71,106	65,366	65,054	58,716
\$ 373,918,888	\$ 319,791,241	\$ 300,244,415	\$ 261,682,685
30,847,605	7,521,100	5,061,959	8,009,875
6,237,686	4,925,358	4,030,572	2,795,931
2,129,116	1,940,577	1,728,987	1,025,848
9,381,243	8,593,841	7,879,008	6,806,552
3,796,105	3,769,664	3,370,705	3,301,850
1,854,955	1,516,666	1,630,908	1,471,705

OFFICERS



WILLIAM M. ALLEN
President



C. L. EGTVEDT
Chairman



J. E. SCHAEFER
Vice Chairman



WELLWOOD E. BEALL
Senior Vice President



EDWARD C. WELLS
Vice President —
Engineering



J. O. YEASTING
Vice President — Finance



C. B. GRACEY
Vice President —
Operations



FRED P. LAUDAN
Vice President —
Manufacturing



A. F. LOGAN
Vice President —
Industrial Relations



J. E. PRINCE
Vice President —
Administration, Secretary



J. P. MURRAY
Vice President —
Eastern Representative



GEORGE C. MARTIN
Vice President — General
Manager, Seattle Div.



N. D. SHOWALTER
Vice President—General
Manager, Wichita Div.



LYSLE A. WOOD
Vice President — General
Manager, Pilotless
Aircraft Div.



J. B. CONNELLY
Vice President — General
Manager, Transport Div.



CLYDE SKEEN
Controller



EVAN M. NELSEN
Treasurer

GENERAL COUNSEL

HOLMAN, MICKELWAIT, MARION, BLACK & PERKINS

GENERAL AUDITORS

TOUCHE, NIVEN, BAILEY & SMART

TRANSFER AGENT

CITY BANK FARMERS TRUST COMPANY, NEW YORK CITY

REGISTRAR

THE FIRST NATIONAL CITY BANK OF NEW YORK, NEW YORK CITY

BOEING AIRPLANE COMPANY

GENERAL OFFICES

•

7755 EAST MARGINAL WAY

•

SEATTLE 24, WASHINGTON



BOARD OF DIRECTORS

From the right:

ARTEMUS L. GATES
Consultant,
New York City

DARRAH CORBET
President, Smith Cannery
Machines Company,
Seattle

D. A. FORWARD
Senior Vice President,
The First National City
Bank of New York

J. E. SCHAEFER
Vice Chairman

FRED P. LAUDAN
Vice President —
Manufacturing

C. L. EGTVEDT
Chairman

WILLIAM M. ALLEN
President

DIETRICH SCHMITZ
President, Washington
Mutual Savings Bank,
Seattle

WILLIAM G. REED
Chairman, Simpson
Timber Company,
Seattle

J. O. YEASTING
Vice President — Finance

EDWARD C. WELLS
Vice President —
Engineering

WELLWOOD E. BEALL
Senior Vice President

PAUL PIGOTT
President, Pacific Car
and Foundry Company,
Renton

COMPANY SECRETARY

J. E. PRINCE
Vice President —
Administration



*First Production 707 Made Initial
Flight on December 20, 1957*

